

**REMARKS**

Pursuant to the amendments set forth above, independent claims 1 and 10 have been amended and claims 11 and 12 have been cancelled. The pending claims are thus 1-10 and 13-21. The Office has rejected claims 1-4 and 9-21 under 35 U.S.C. § 103 as being unpatentable over Shkedy (US Patent No. 6,260,024) and claims 5-8 under 35 U.S.C. § 103 as being unpatentable over Shkedy (US Patent No. 6,260,024) in view of the "eBay" article.

For the following reasons, the undersigned representative respectfully traverses the rejections.

**Rejection in View of Shkedy**

As set forth above, independent claims 1 and 10 include the following limitations:

1. (Currently Amended) A method for conducting auctions over a network utilizing an auction website sponsored by a financial institution, the method comprising:

- (a) identifying a population comprising at least a seller and at least a potential buyer who are account holders of the financial institution;
- (b) providing each seller and each potential buyer access to the auction website with each seller listing at least one good to be auctioned;
- (c) conducting an auction to establish a selling price for a good, a successful buyer and a successful seller; and
- (d) upon completion of the auction, debiting a payment account of the successful buyer and crediting a receiving account of the successful seller, wherein the payment account and the receiving account are held at the financial institution.

10. (Currently Amended) A method for conducting an auction website operated by a sponsoring financial institution comprising:

registering potential buyers and sellers for the auction website by verifying that the potential buyers and sellers have at least one active account with the sponsoring financial institution;

upon verification of at least one active account, issuing an individual registration identification to each of the potential buyers and sellers having at least one active account with the sponsoring financial institution, wherein the individual registration identification is associated with the at least one active account;

facilitating access to the auction website through a network;  
listing goods of registered sellers on the auction website;

accepting bids from registered potential buyers for listed goods of registered sellers through the auction website;

recognizing (i) a final bid amount for at least one good listed by a registered seller and (ii) a registered buyer who bids the final bid amount for the at least one good;

prompting the registered buyer of the at least one good to select a buyer's payment account and the registered seller of the at least one good to select a seller's payment account; and

facilitating settlement between the buyer payment account and the seller payment account both held at the sponsoring financial institution.

As stated throughout the text of the patent, Shkedy is concerned with providing a bilateral buyer-driven system for creating binding contracts between buyers and sellers.

The system in Shkedy aggregates buyer offers and communicates the offers to sellers for consideration. Particularly, Shkedy is concerned with solving the problem wherein individual buyers lack the power and resources to effectively participate in bilateral buyer-driven systems, i.e., bulk buyers always achieve a better deal than individual buyers. Thus Shkedy attempts to solve this problem by aggregating, i.e., pooling, the purchase orders of individual buyers prior to presentation to potential sellers and binding the buyers to the resulting offer. While Shkedy is concerned with issues of authentication of buyers and sellers, ability to pay, settlement of payment and delivery of goods, this is not the focus of the patent. As such, Shkedy does not teach or suggest either the problem or the solution presented in the claims of the current application.

As articulated by the Office on page 3 of the outstanding non-final Office Action, "Shkedy does not explicitly disclose that the central controller is a financial institution." This is an important distinction between the pending claims of the application and the teachings of Shkedy. The present invention as set forth in the claims seeks to significantly reduce the risk of fraud in on-line auctions by running the auction through, *inter alia*, a sponsoring financial institution, wherein all perspective buyers and sellers are

required to have at least one active account with the sponsoring financial institution to participate and further wherein the transaction is settled as between the accounts with the financial institution. Because the central controller in Shkedy is not a financial institution, the central controller cannot perform the functions and steps set forth in the claims.

The Office fails to provide a secondary reference that teaches the missing limitations. See MPEP § 2142 (In order to establish a *prima facie* case of non-obviousness as is required to support a rejection of the claims under 35 U.S.C. § 103, the Office must meet the following three requirements: (1) suggestion or motivation to modify the reference or to combine the reference teachings; (2) a reasonable expectation of success; and (3) **the prior art reference or references must teach or suggest all of the claim limitations.**) Instead, the Office argues on pages 3-4 that because Shkedy offers a solution for verifying the identity of an account holder,

It would have been obvious to one skilled in the art at the time that the central controller of the auction could have been any type of institution, including a financial institution, that has 'account holders', in order to verify the identities of the auction participants and decrease fraud.

This statement clearly does not account for the functions recited in the independent claims that are uniquely practiced by a financial institution and thus cannot cure the deficiencies of Shkedy. Because the prospective buyers and sellers are registered with the same sponsoring financial institution through an existing active account for each participant, and settlement between active accounts occurs within the sponsoring financial institution, the risk assumption with respect to fraud, payment and settlement is assumed by the sponsoring financial institution. The fact that financial institutions are

held to particular standards with respect to customer identification and account management, means that the identification of the customers and thus the auction participants and their respective financial situations are never at issue in the current invention. The central controller described in Shkedy does not and cannot minimize and concentrate risk in this manner since it is never a financial institution. The financial institution of the present claims performs both front-end and back-end auction processes. The central controller of Shkedy performs only front-end processing. The Office points to an embodiment in Shkedy wherein the central controller is comprised of three distinct elements for performing distinct functions, wherein a bank may be one of the distinct elements, i.e. the settlement server. This embodiment necessarily implies that Shkedy did not contemplate that the other risk-based functions can be performed by the same element and that this element can be a bank. The current invention as set forth in the claims teaches a single sponsoring financial institution for performing all functions associated with the auction. Shkedy fails to teach or suggest the limitations of at least independent claims 1 and 10 and by virtue of their dependency, claims 2-9 and 13-21.

Additionally, with respect to at least claims 9 and 14-21, the undersigned representative fails to see where Shkedy teaches and suggests the combinations of limitations recited therein. Particularly, the use of brokerage accounts at the sponsoring financial institution, the comparison of bids with pre-determined threshold bids for determining a winning buyer and the particulars of the escrow configuration and time periods for delivery and review. These limitations, in combination with those of the claim(s) upon which they depend are neither taught or suggested by Shkedy. The

undersigned representative submits that all pending claims are allowable over Shkedy and earnestly solicits a notice of allowance to this effect.

**Rejection in View of Shkedy and Further in View of eBay**

As stated above, the undersigned representative has rebutted the rejection of independent claims 1 and 10 over Shkedy. As such, all claims depending thereon are also deemed to be allowable for the reasons stated herein. Further, with respect to claims 6-8, the Office admits that Shkedy fails to disclose either the tracking steps or the buyer alert steps. In order to establish its *prima facie* case, the Office cites the eBay article from 1/15/1999 as teaching the limitations not found in Shkedy. The undersigned representative has reviewed the eBay article and fails to find support for the following limitations in combination with the limitations from the claims upon which they depend:

6. (Original) The method according to claim 5, wherein the auction performance histories include at least payment history, purchasing history, delivery and product conformance history.

7. (Original) The method according to claim 6, further comprising:  
alerting a potential buyer based on the potential buyer's tracked purchasing history when a good is listed on the auction website that is in line with the potential buyer's tracked purchasing history.

8. (Original) The method according to claim 7, wherein alerting the potential buyer is achieved through at least one of the following including e-mail and pager.

The Office cites a passage from Shkedy which describes specifically contacting potential sellers to request bids on particular pooled purchase orders. First, this passage highlights one of the major differences between the present invention and Shkedy --- Shkedy is not describing an auction, wherein goods and/or services are posted for sale to the highest

bidder. Consequently, Shkedy does not track the purchasing history of buyers. Second, that the decision to contact is based on the seller's tracked selling history. Clearly, Shkedy does not teach or suggest the limitations of claims 5-8. Similarly, the eBay article does not remedy the deficiencies of Shkedy. The Office failed to point out the teachings in the eBay article and the undersigned representative finds no such teachings upon review. The undersigned representative submits that all pending claims are allowable over Shkedy and that claims 5-8 are further allowable over Shkedy in view of eBay for the reasons stated herein.

CONCLUSION

The undersigned representative respectfully submits that the claims presented herein are in condition for allowance in view of the cited prior art and earnestly request a notice of allowance to that effect. Should there be any further issues regarding prosecution of this case, please do not hesitate to contact the undersigned at the number provided below.

Respectfully submitted,

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Dawn-Marie Bey  
Registration No. 44,442

KILPATRICK STOCKTON LLP  
607 14<sup>th</sup> Street  
Suite 900  
Washington DC 20005  
(202) 508-5800